

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8791
INFO ALL OECD CAPITALS
AMEMBASSY NEW DELHI

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USMTN, USEEC
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD
SUBJECT: MTN: INFORMAL 7 PLUS 7 ON TARIFFS

1. SUMMARY. AT INFORMAL EXPANDED 7 PLUS 7 ON TARIFFS, CHAIRMAN (DDG PATTERSON) SOLICITED STATUS REPORTS FROM DC'S ON THEIR NEGOTIATIONS TO DATE, AND USED THESE REPORTS TO POINT UP URGENT NEED FOR MORE ACTIVE AND TIMELY PARTICIPATION BY LDC'S. LDC REACTION TO MEETING WAS MUTED, ALTHOUGH SEVERAL LDC DELS CRITICIZED JULY DEADLINE FOR MTN AS LIKELY TO PREVENT THEM FROM BEING SUCCESSFUL IN THEIR NEGOTIATIONS WITH DC'S FOR SPECIAL AND DIFFERENTIAL (S AND D) TREATMENT ON SPECIFIC PRODUCTS. END SUMMARY.

2. AFTER CONSULTING BIG THREE, DDG PATTERSON CONVENED
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INFORMAL, EXPANDED 7 PLUS 7 MEETING ON APRIL 18 TO GIVE DC'S OPPORTUNITY TO REPORT ON STATUS OF BILATERAL TARIFF NEGOTIATIONS. SECRETARIAT FELT MEETING WAS NEEDED TO GIVE LESS-ACTIVE LDC'S SENSE OF GATHERING MTN MOMENTUM, AND URGENT NEED TO COMMUNICATE THEIR PRECISE TARIFF INTERESTS TO LDC'S. (SECRETARIAT WAS AWARE THAT FEW LDC'S HAD SUBMITTED REQUESTS FOR S AND D IN TARIFFS AREA.)

3. SIGNIFICANT DC STATUS REPORTS ON OFFERS WERE AS
FOLLOW: E AS

(A) AUSTRIA (SEGALLA) STATED THAT LINE-ITEM SPECIFIC OFFER SHOULD BE AVAILABLE IN TWO WEEKS. OFFER WILL BE IN FORM OF DETAILED ENGLISH VERSION OF 1978 TARIFF SCHEDULE, SHOWING BASE RATE AND OFFER RATE (BASED ON SWISS FORMULA USING COEFFICIENT OF 16), FOR EACH ITEM. SEGALLA NOTED THAT SINCE COEFFICIENT OF 16 RESULTS IN SIGNIFICANTLY HIGHER OVERALL DEPTH OF CUT THAN 40 PERCENT CALLED FOR BY HYPOTHESIS, AUSTRIANS FEEL JUSTIFIED IN TAKING LIMITED NUMBER OF EXCEPTIONS FOR ECONOMIC REASONS. SEGALLA ALSO REPORTED THAT AUSTRIANS HAVE "MADE PROVISION" FOR WITHDRAWALS TO ASSURE RECIPROCITY.

(B) NORWAY (SELMER) STATED THAT ITS DETAILED OFFERS WOULD BE AVAILABLE IN TWO WEEKS. THE LIST WILL CONTAIN SMALL NUMBER OF EXCEPTIONS IN AREAS WHICH REFLECT THE EXTREME SENSITIVITY OF THE NORWEGIAN INDUSTRY.

(C) FINLAND (HAGFORS) STATED THAT SPECIFIC FINNISH OFFERS WILL BE AVAILABLE SHORTLY. THE FINNS WILL BE TAKING EXCEPTIONS, WHICH HAGFORS STATED WERE NECESSITATED IN PART BY DEFICIENT OFFERS BY OTHERS, ESPECIALLY IN NTM LIMITED OFFICIAL USE

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AREA.

(D) EC (DUGIMONT) STATED THAT COMMISSION ANALYSIS OF OTHERS' OFFERS HAD SHOWN THAT ADJUSTMENTS IN THE EC OFFER MIGHT BE NECESSARY, BUT THAT FOR TIME BEING EC WAS SEEKING IMPROVEMENTS. HE STATED THAT EC VIEWS ON S AND D WERE "WELL KNOWN" BUT THAT A SURPRISINGLY SMALL NUMBER OF REQUESTS FOR S AND D HAD BEEN RECEIVED BY THE EC, AND URGED LDC'S TO SUBMIT REQUESTS IMMEDIATELY.

4. USMTN DEL (MCNAMARA) DESCRIBED IN GENERAL TERMS STATUS OF BILATERALS AND REPORTED THAT USG IS PREPARING AN ADDENDUM OF TECHNICAL CORRECTIONS TO OUR DETAILED OFFER WHICH WE EXPECT TO MAKE AVAILABLE IN TWO WEEKS. WE ARE ALSO CONTEMPLATING A SECOND ADDENDUM WHICH WOULD CONTAIN NEW OFFERS ON AGRICULTURAL PRODUCTS TO REFLECT REQUESTS RECEIVED AFTER INITIAL CONSIDERATION OF AGRICULTURAL REQUESTS.

5. IN OTHER INTERVENTIONS, NEW ZEALAND AND HUNGARY RECALLED THAT THEIR OFFERS WERE PREDICATED ON RECEIVING A FULL MEASURE OF RECIPROCITY IN THE AGRICULTURAL FIELD

AND THAT THEY CONTINUED TO VIEW THE NEGOTIATIONS UNBALANCED BECAUSE OF THE LACK OF PROGRESS IN AGRICULTURE. CZECHOSLOVAKIA NOTED ITS TARIFF OFFER WAS BASED ON SWISS FORMULA USING A COEFFICIENT OF 14 AND PROMISED SUBMISSION IN THE NEAR FUTURE OF A PRELIMINARY CONCORDANCE BETWEEN THE CZECH TARIFF SCHEDULE AND THE CCCN.

6. INDIA (KUMAR) COMPLAINED THAT ALTHOUGH INDIA HAD SUBMITTED REQUESTS FOR IMPROVEMENTS TO SEVERAL DC'S, IT HAD NOT YET RECEIVED A SINGLE POSITIVE RESPONSE. KUMAR FELT DC'S WERE MORE INTERESTED IN NEGOTIATING WITH EACH OTHER THAN WITH SERIOUSLY CONSIDERING RESPONSIBLE REQUESTS BY LDC'S. HE URGED THAT DC'S, IF NOT YET IN A POSITION TO RESPOND IN TOTO TO LDC REQUESTS, SHOULD START BY INDICATING AREAS WHERE IMPROVEMENT MAY BE LIMITED OFFICIAL USE

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POSSIBLE. KUMAR WENT ON TO MENTION THREE PROBLEMS OF PARTICULAR SIGNIFICANCE TO LDC'S: (A) KUMAR OBJECTED TO USE OF A PRINCIPAL SUPPLIER RULE AS APPLIED BY CERTAIN DC'S. KUMAR STATED THAT THIS RULE HAD EXCLUDED MANY

LDC'S FROM NEGOTIATIONS ON PRODUCTS OF CRITICAL AND GROWING EXPORT IMPORTANCE TO THEM. HE URGED DC'S TO CONSIDER LDC'S AS A SINGLE SUPPLYING COUNTRY IN DETERMINING PRINCIPAL AND SUBSTANTIAL SUPPLIERS FOR AN ITEM. (B) KUMAR STATED THAT HE HAD NOT FOUND A RECEPTIVE ATMOSPHERE TO REQUESTS FOR EXCEPTIONS TO PRESERVE GSP MARGINS, ESPECIALLY FROM ONE COUNTRY (U.S.), WHILE COUNTRIES OFFERING GREATER-THAN-FORMULA CUTS ON LESS SENSITIVE PRODUCTS INCLUDED IN GSP SCHEMES WERE MAXIMIZING EROSION OF PREFERENTIAL MARGINS. HE STATED THAT IF THAT COUNTRY HAD ITSELF NOT TAKEN EXCEPTIONS, IT MIGHT BE IN A STRONG MORAL POSITION TO OPPOSE EXCEPTIONS FOR S AND D PURPOSES, BUT THIS WAS NOT THE CASE. (C) KUMAR COMPLAINED THAT TARIFF ESCALATION APPARENTLY HAD NOT BEEN TAKEN INTO ACCOUNT IN THE OFFERS OF DC'S, LIMITED OFFICIAL USE

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AND THAT EXCEPTIONS BY CERTAIN COUNTRIES COMBINED WITH DEEPER REDUCTIONS ON RAW MATERIALS WOULD MAKE THE SITUATION WORSE IN CERTAIN KEY BASIC COMMODITY AREAS. HE ALSO URGED DC'S TO GIVE HIGHER REGARD TO "QUALITY" IN THE NEGOTIATIONS THAN THE JULY 15 DEADLINE.

7. TURKEY (PARMAN), SUPPORTED BY EGYPT (HAMZA), GAVE STRONG STATEMENT REQUESTING DC'S TO USE PERIOD AFTER JULY 15 TO IMPROVE OFFERS TO LDC'S, EVEN IF OVERALL NEGOTIATIONS HAD COME TO A CLOSE. HAMZA LABELED THE JULY 15 DEADLINE AN IMPORTANT NTM FACING LDC'S. HE OBSERVED THAT MOST LDC'S NOT IN A POSITION TO HAVE CAREFULLY PREPARED REQUESTS TABLED IN TIME FOR DC'S TO GIVE THEM THOROUGH CONSIDERATION BEFORE THE CLOSE OF NEGOTIATIONS IN JULY. PATTERSON, IN INTERVENTION HELPFUL TO DC'S, STATED THAT BASED ON HIS OWN ASSESSMENT, HE DID NOT BELIEVE DC'S WOULD NEGOTIATE ADDITIONAL S AND D CONCESSIONS AFTER THE CLOSE OF SUBSTANTIVE NEGOTIATIONS.

8. EC (DUGIMONT) SUGGESTED THAT IN ORDER TO ENSURE FULL TRANSPARENCY, REQUESTS BY LDC'S FOR S AND D SHOULD BE CIRCULATED TO ALL PARTICIPANTS EVEN THOUGH THERE WAS NO AGREEMENT IN TARIFFS GROUP FOR THIS PROCEDURE. (COMMENT: DUGIMONT HAD WARNED US BEFORE MEETING THAT HE WOULD MAKE THIS PROPOSAL.) NO LDC SUPPORTED DUGIMONT AND SUGGESTION WAS NOT ACTED UPON, THOUGH EGYPT SAID THIS WAS AN INTERESTING PROPOSAL FOR NEXT MEETING OF 7 PLUS 7 AND ASKED WHETHER REQUESTS BY DC'S SHOULD NOT ALSO BE CIRCULATED AS WELL AS MODIFICATIONS IN OFFERS.

9. SEVERAL LDC'S REQUESTED THAT MEETINGS OF THIS TYPE BE HELD FREQUENTLY IN NEXT 90 DAYS. THERE WAS NO DISSENT.

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10. PATTERSON TELEPHONED MCNAMARA FOLLOWING DAY TO NOTE GROWING SUPPORT FOR GREATER TRANSPARENCY, ESPECIALLY CONCERNING QUESTION OF CIRCULATION OF REQUESTS. HE PLANS TO CONSULT KEY COUNTRIES OVER NEXT COUPLE OF WEEKS WITH INTENTION OF ANNOUNCING AT NEXT MEETING THAT PARTICIPANTS AGREE TO CIRCULATE REQUESTS. WE TOLD PATTERSON THAT USMTN DEL HAS NO OBJECTION TO VOLUNTARY CIRCULATION BUT HAD NO INSTRUCTIONS ON FORMAL PROCEDURE.

11. COMMENT AND RECOMMENDATIONS: IN ABSENCE OF ANY AGREED PROCEDURES FOR INDUSTRIAL TARIFFS (TARIFFS GROUP HAS NOT MET SINCE DECEMBER 1976), AND KNOWN SENSITIVITY OF AT LEAST SEVERAL COUNTRIES (JAPAN, ISRAEL) TO CIRCULATION OF TARIFF REQUESTS TO THEM, PATTERSON MAY FIND SIGNIFICANT OPPOSITION TO HIS PROPOSAL. MTN DEL SEES SEVERAL DISADVANTAGES OF CIRCULATING TARIFF REQUESTS AT THIS STAGE OF MTN WITHOUT CORRESPONDING BENEFITS. THEREFORE, WE WILL NOT SUPPORT GENERAL CIRCULATION OF ALL TARIFF REQUESTS UNLESS WASHINGTON INSTRUCTS OTHERWISE. WE WILL, HOWEVER, INDICATE THAT WE HAVE NO OBJECTION TO CIRCULATION SO LONG AS REQUESTING AND RECEIVING COUNTRIES FOR EACH REQUEST AGREE, AND WE WILL WITHHOLD ASSENT TO CIRCULATION OF REQUESTS TO AND FROM U.S. UNLESS THERE ARE VALID REASONS FOR DOING SO.
CULBERT

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